

**REPORT OF THE AUDIT OF THE  
BOONE COUNTY  
SHERIFF**

**For The Year Ended  
December 31, 2004**



**CRIT LUALLEN  
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## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE BOONE COUNTY SHERIFF**

**For The Year Ended  
December 31, 2004**

The Auditor of Public Accounts has completed the Boone County Sheriff's audit for the year ended December 31, 2004. Based upon the audit work performed, the financial statements present fairly, in all material respects, the revenues, and expenditures of the County Sheriff and the revenues, expenditures, and fund balances of the County Sheriff's operating fund and county fund with the State Treasurer in conformity with the regulatory basis of accounting.

#### **Financial Condition:**

A fee official in counties with a population over 70,000 has two funds established with the state for the deposit of fees collected. Seventy-five percent (75%) of the fees collected are deposited in a County Sheriff's operating fund and used for office expenses of the fee official. The remaining twenty-five percent (25%) of fees collected are deposited to the county government fund and paid quarterly to the county government. These funds are closed at the end of each four-year term by paying the balances to the respective county government.

The Boone County Sheriff had total receipts of \$9,720,381, total expenditures of \$61,355, and other expenses totaling \$8,312, resulting in net receipts of \$9,650,714. Total receipts increased by \$2,614,503 and total expenditures increased by \$17,217 from the prior year. The Sheriff paid 75% of receipts to the State Treasurer in the amount of \$9,161,784. This was an increase of \$2,538,832 from the prior year. The sheriff paid 25% of receipts to the Boone County Fiscal Court in the amount of \$488,930. This was an increase of \$58,454 from the prior year.

Operating Fund (75%) – The Sheriff's beginning fund balance as of January 1, 2004 totaled (\$3,210,766). Total revenues were \$9,161,784 and total expenditures were \$10,553,124, leaving an ending fund balance as of December 31, 2004 of (\$4,602,106).

County Fund (25%) – Total receipts of \$488,930 were deposited and transferred to the Boone County Treasurer for the calendar year 2004.

#### **Deposits:**

The Sheriff's deposits were insured and collateralized by bank securities or bonds.



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CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Gary W. Moore, Boone County Judge/Executive  
Honorable Michael A. Helmig, Boone County Sheriff  
Members of the Boone County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues and expenditures - regulatory basis of the County Sheriff of Boone County, Kentucky, and the statement of revenues, expenditures, and fund balances of the County Sheriff's operating fund and county fund with the State Treasurer - regulatory basis for the year ended December 31, 2004. These financial statements are the responsibility of the County Sheriff. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Sheriff prepares the financial statements on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the revenues and expenditures of the County Sheriff and the revenues, expenditures, and fund balances of the County Sheriff's operating fund and county fund with the State Treasurer for the year ended December 31, 2004, in conformity with the regulatory basis of accounting.



The Honorable Gary W. Moore, Boone County Judge/Executive  
Honorable Michael A. Helmig, Boone County Sheriff  
Members of the Boone County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated July 22, 2005, on our consideration of the County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

This report is intended solely for the information and use of the County Sheriff and Fiscal Court of Boone County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Crit Luallen', with a long horizontal flourish extending to the right.

Crit Luallen  
Auditor of Public Accounts

Audit fieldwork completed -  
July 22, 2005



BOONE COUNTY  
MICHAEL A. HELMIG, COUNTY SHERIFF  
STATEMENT OF REVENUES AND EXPENDITURES - REGULATORY BASIS

For The Year Ended December 31, 2004

Revenues

Federal Grants

Universal Hiring Program Supplement Grant	\$ 140,800	
Equipment Grant	15,983	
Governor's Highway Safety Grant	<u>31,629</u>	\$ 188,412

Federal Fees For Services:

Department of Justice	20,856	
US Customs	<u>91,635</u>	112,491

State - Kentucky Law Enforcement Foundation Program Fund 460,867

State Fees for Services

Finance and Administration Cabinet 344,125

Circuit Court Clerk

Fines/Fees Collected 11,850

Fiscal Court 5,300,000

County Clerk 5,054

Commission on Taxes 2,647,267

Fees Collected for Services:

Auto Inspections	87,020	
Accident/Police Reports	7	
Serving Papers	94,109	
Carrying Concealed Deadly Weapon Permits	18,150	
Sheriff's Penalty and Advertising Fees	182,303	
Other Police Services	<u>52,469</u>	434,058

The accompanying notes are an integral part of the financial statements.

BOONE COUNTY  
MICHAEL A. HELMIG, COUNTY SHERIFF  
STATEMENT OF REVENUES AND EXPENDITURES - REGUALTORY BASIS  
For The Year Ended December 31, 2004  
(Continued)

Revenues (Continued)

Other Revenues:

Impound	\$	1,525	
Employee Share Health Insurance		77,930	
Service Charge - Ordinance #03-07		50,875	
Court Ordered Payments		2,949	
Miscellaneous		<u>53,235</u>	\$ 186,514

Interest Earned		<u>29,743</u>
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Total Revenues		<u>9,720,381</u>
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Expenditures

Payments to State:

Carrying Concealed Deadly Weapon Permits		10,480
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Payments Made By County:

Service Charge - Ordinance #03-07		50,875
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Other Expenditures:

Bank Service Charges		<u>8,312</u>
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Total Expenditures		<u>69,667</u>
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Net Revenues		9,650,714
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Payments to State Treasurer:

75% Operating Fund	9,161,784	
25% County Fund	<u>488,930</u>	<u>9,650,714</u>

Balance Due at Completion of Audit		<u><u>\$ 0</u></u>
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The accompanying notes are an integral part of the financial statements.

BOONE COUNTY  
MICHAEL A. HELMIG, COUNTY SHERIFF  
STATEMENT OF REVENUES, EXPENDITURES, AND  
FUND BALANCES OF THE SHERIFF'S OPERATING FUND  
AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS

For The Year Ended December 31, 2004

	75% Operating Fund	25% County Fund	Totals
Fund Balance - January 1, 2004	\$ (3,210,766)	\$	\$ (3,210,766)
<u>Revenues</u>			
Fees Paid to State - Operating Funds (75%)	9,161,784		9,161,784
Fees Paid to State - County Funds (25%)		488,930	488,930
Total Funds Available	5,951,018	488,930	6,439,948
<u>Expenditures</u>			
Boone County Fiscal Court	\$	\$ 488,930	488,930
Personal Services-			
Officials Statutory Maximum	88,083		88,083
Deputies Salaries	5,881,733		5,881,733
Part-time Salaries	476,002		476,002
Office Staff Salaries	427,310		427,310
SRO & CRO Salaries	373,684		373,684
KLEFPF Salaries	385,873		385,873
Employee Benefits-			
Employer's Share Social Security	530,965		530,965
Employer's Share Retirement	37,291		37,291
Employer's Share Hazardous Duty Retirement	1,409,119		1,409,119
Employer Paid Health Insurance	38,327		38,327
Other Payroll Disbursements	37,227		37,227
Contracted Services-			
Maintenance Agreement	714		714
Advertising	9,091		9,091
Vehicle Maintenance & Repairs	375,215		375,215
Attorney Retainer	12,000		12,000
Other Contracted Services	6,069		6,069

The accompanying notes are an integral part of the financial statements.

BOONE COUNTY  
MICHAEL A. HELMIG, COUNTY SHERIFF  
STATEMENT OF REVENUES, EXPENDITURES, AND  
FUND BALANCES OF THE SHERIFF'S OPERATING FUND  
AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS  
For The Year Ended December 31, 2004  
(Continued)

	75% Operating Fund	25% County Fund	Totals
<u>Expenditures</u> (Continued)			
Supplies and Materials-			
Office Materials and Supplies	\$ 30,400	\$	\$ 30,400
Uniforms/Equipment	244,552		244,552
Data Processing	9,445		9,445
Deputy Expenses/Training	31,289		31,289
Transporting Prisoners	66,220		66,220
Other Charges-			
Dues	7,255		7,255
Postage	14,716		14,716
Jury Meals	2		2
Merit Board	1,140		1,140
D.A.R.E.	2,765		2,765
Medical Supplies	3,101		3,101
General Utilities/Rentals	52,541		52,541
Miscellaneous	995		995
Total Expenditures	10,553,124	488,930	11,042,054
Fund Balance - December 31, 2004	\$ (4,602,106)	\$ 0	\$ (4,602,106)

The accompanying notes are an integral part of the financial statements.

BOONE COUNTY  
MICHAEL A. HELMIG, COUNTY SHERIFF  
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2004

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount due from the County Sheriff as determined by the audit.

KRS 64.350 establishes that a fee official in counties with a population over 70,000 has two funds with the State Treasurer for the deposit of fees collected. Seventy-five percent (75%) of the fees collected is deposited in a County Sheriff's operating fund and used for office expenses of the fee official. The remaining twenty-five percent (25%) of fees collected is deposited to the county fiscal court fund and paid to the fiscal courts, urban-county governments, or consolidated local governments of the respective counties quarterly no later than April 15, July 15, October 15, and January 15. These funds are closed at the end of each official term by paying the balances to the respective county government.

The financial statements have been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive) at December 31:

- Interest receivable
- Collection on accounts due from others for 2004 services
- Reimbursements for 2004 activities
- Tax commissions due from December tax collections
- Payments due other governmental entities for payroll
- Payments due vendors for goods or services provided in 2004
- Payroll expenditures incurred but not paid

The Attorney General issued a letter which stated that some revenues of the fee official offices could be considered reimbursed expenses. All reimbursed expenses are treated as revenue in the 75 percent fund.

BOONE COUNTY  
MICHAEL A. HELMIG, COUNTY SHERIFF  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2004  
(Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer defined benefit pension plan that covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members.

Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.34 percent for the first six months and 8.48 percent for the last six months of the year. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for hazardous employees was 18.51 percent for the first six months and 22.08 percent for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of December 31, 2004, the Sheriff's deposits were fully insured or collateralized at a 100% level with collateral of pledged securities held by the Sheriff's agent in the Sheriff's name.

BOONE COUNTY  
MICHAEL A. HELMIG, COUNTY SHERIFF  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2004  
(Continued)

Note 4. Additional Bank Accounts of the Boone County Sheriff

The Sheriff also maintains the following bank accounts:

- A. Informant Account - This account consists of money obtained through drug forfeitures and seizures. During 2004, the account had a beginning balance of \$605, receipts of \$3 and no expenditures. The balance, as of December 31, 2004, was \$608.
- B. Equipment Account - This account consists of money received from Sheriff's sales and court judgments. This money is to be used for equipment purchases. The account had a beginning balance of \$1,727, receipts of \$43,882 and expenditures of \$44,230. The ending balance, as of December 31, 2004, was \$1,379.
- C. Federal Shared Proceeds Account - This account consists of money received from the Federal Government for various cases. It is to be used for employee training. For 2004, the account had a beginning balance of \$107, receipts of \$1 and no expenditures. The ending balance, as of December 31, 2004, was \$108.
- D. Federal Forfeitures Account - This account consists of money received from the Federal Government for various cases involving Sheriff's Deputies working for the DEA. It is to be used for equipment and employee training. During 2004, the account had a beginning balance of \$90,826, receipts of \$57,063 and expenditures of \$115,893. The ending balance, as of December 31, 2004, was \$31,996.
- E. Chaplain Account - This account consists of money received from the Boone County Human Services. It is to be used for destitute individuals. During 2004, the account had a beginning balance of \$0, receipts of \$1,373 and expenditures of \$441. The ending balance, as of December 31, 2004, was \$932.
- F. Flexible Spending Account - The Boone County Sheriff's Department established a Flexible Benefit Plan for its employees. This plan allows for pre-tax salary reductions for dependent care and health premiums. The Flexible Spending Account was created to handle all funds related to the plan offered by the Sheriff's Department. During 2004, the account had a beginning balance of \$291, receipts of \$7,499 and expenditures of \$7,708. The ending balance, as of December 31, 2004, was \$82.
- G. Payroll Account - This account was created by the Boone County Sheriff's Department to process payroll checks for the Sheriff's Department. After the Sheriff's Department adopted KRS 64.345, "Counties having population of 70,000 or more," salaries of each officer, his deputies, assistants and his office expenses shall be paid semimonthly by the State Treasurer upon the warrant of the Finance and Administration Cabinet. This account still has outstanding checks and will remain open until all checks are cleared or the allotted time has passed and funds are given to the state as unclaimed funds. During 2004, the account had a beginning balance of \$500, receipts of \$0 and expenditures of \$0. The ending balance, as of December 31, 2004, was \$500.

BOONE COUNTY  
MICHAEL A. HELMIG, COUNTY SHERIFF  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2004  
(Continued)

Note 4. Additional Bank Accounts of the Boone County Sheriff (Continued)

- H. K-9 Account - The K-9 Account is an account that was created by the Boone County Police Department. The Boone County Police Department was merged into the Boone County Sheriff's Department and the funds were then turned over to the Sheriff's Department at that time. This account has remained a dormant account since the merger.
- I. Cadet Program Account - The Cadet Program Account is an account that was created by the Boone County Police Department. The Boone County Police Department was merged into the Boone County Sheriff's Department and the funds were then turned over to the Sheriff's Department at that time. This account has remained dormant since the merger.

Note 5. Federal Grants

A. Governor's Highway Safety Program

The Boone County Sheriff's Office was awarded a Highway Safety Grant in 2004. During the year ended December 31, 2004, grant funds in the amount of \$31,629 were received.

B. Community Oriented Policing Services Universal Hiring Supplement Grant

The Boone County Sheriff's office was awarded a Community Oriented Policing Services Universal Hiring Supplement grant in 2003. During the year ended December 31, 2004, grant funds in the amount of \$140,800 were received.

C. Equipment Grant

The Boone County Fiscal Court was awarded an Equipment Grant. During the year ended December 31, 2004, grant funds in the amount of \$15,983 were received.

Note 6. Kentucky Law Enforcement Foundation Program Fund

The Boone County Sheriff's Office participates in the Kentucky Law Enforcement Foundation Training Incentive Program. This program, administered by the Kentucky Justice Cabinet, is designed to adequately train the Sheriff and his officers. During the year, grant funds of \$460,867 were received.



REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Gary W. Moore, Boone County Judge/Executive  
Honorable Michael A. Helmig, Boone County Sheriff  
Members of the Boone County Fiscal Court

Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of The Financial  
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements - regulatory basis of the Boone County Sheriff for the year ended December 31, 2004, and have issued our report thereon dated July 22, 2005. The County Sheriff's financial statements are prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Boone County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Boone County Sheriff's financial statements as of December 31, 2004, are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.



Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of The Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

This report is intended solely for the information and use of management and the Kentucky Governor's Office for Local Development and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen  
Auditor of Public Accounts

Audit fieldwork completed -  
July 22, 2005

